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MICHIGAN WARM

Low Income Energy Efficiency Fund (LIEEF) Impact on Michigan

FACT SHEET

Background

Overview

The Customer Choice and Electricity Reliability Act of 2000 (Act 141), authorized the creation of a Low Income and Energy Efficiency Fund administered by the Michigan Public Service Commission (Commission) via grants to qualifying organizations. The purpose of the LIEEF is to provide shut off and other protection for low-income customers and promote energy efficiency by all customer classes.

Initially, the LIEEF was funded through securitization savings that exceeded the amount needed to achieve a 5% electric rate reduction for residential and business customers. Section 10d(6), MCL 460.10d(6) of Act 141 specifies the use of a portion of the savings:

If securitization savings exceed the amount needed to achieve a 5% rate reduction for all customers, then, for a period of 6 years, 100% of the excess savings, up to 2% of the electric utility's commercial and industrial revenues, shall be allocated to the Low-Income and Energy Efficiency Fund administered by the Commission. The Commission shall establish standards for the use of the Fund to provide shut-off and other protection for low-income customers and to promote energy efficiency by all customer classes.

At inception, the Detroit Edison Company was the only electric utility whose securitization savings exceeded the amount necessary to fund the rate reduction required in Act 141 and was the only company contributing to the LIEEF. On September 28, 2001, Governor John Engler signed the Department of Consumer and Industry Services appropriations bill for 2001-2002 (Public Act 119 of 2001), which authorized \$60 million for the LIEEF and required that the Commission report by June 1, 2002, on the distribution of funds. The \$60 million appropriation reflected an estimate of the annual revenues that could accrue to the LIEEF. Actual remittance, which occurred monthly, totaled approximately \$3.6 million per month or about \$44-46 million annually.

Procedural Framework

In its November 20, 2001 order in U-13129, the Commission set the procedural framework to administer the LIEEF. Based on Act 141, the Commission stated it expected the annual disbursement for each of the six program years to fall into three broad categories:

1. Energy assistance for low-income customers;
2. Conservation and energy efficiency measures targeted toward reducing the energy use and energy bills of low-income customers; and
3. The development of energy efficiency programs that benefit all customer classes.

The Commission determined that approximately 75% of the grant monies awarded would be allocated to providing low-income energy assistance and low-income energy efficiency programs and 25% would be

allocated to the development of energy efficiency programs to benefit all customer classes. The Commission also stated it intended to set aside a portion of the proceeds to create an endowment to finance programs that assist low-income customers and support energy efficiency projects beyond the six-year existence of the Fund. The Commission stated that it would follow the procedures established by the Department of Management and Budget and the Department of Consumer and Industry Services in issuing requests for proposals, making disbursements, and managing the grants.

Subsequent Orders

On February 20, 2004, the Commission issued an order in Case No. U-13808 granting interim rate relief, rolling securitization savings into base rates for Detroit Edison's electric customers and funding the LIEEF as part of the utility's cost of service. The funding mechanism for the LIEEF was affirmed in the Commission's final order issued on November 23, 2004, authorizing Detroit Edison to provide approximately \$39.9 million annually to the LIEEF.

On December 22, 2005, the Commission issued an order in Case No. U-14347 authorizing Consumers Energy to provide approximately \$26.5 million annually to the LIEEF from its electric customers. On November 21, 2006, the Commission issued an order in Case No. U-14547 authorizing Consumers Energy to provide approximately \$17.4 million annually to the LIEEF from its natural gas customers.

On January 13, 2009, the Commission issued an order amending the LIEEF's procedural framework set forth in a November 20, 2001 order to allow up to 10% of the monies in the LIEEF to be used directly for funding contractual services that are related to low-income assistance, energy efficiency, energy technology, and the objectives of 2008 PA 295, including renewable energy, energy optimization, and distributed generation projects.

On June 3, 2010, the Commission issued an order in Case No. U-15985 authorizing Michigan Consolidated Gas Company to provide \$5,069,000 annually to the LIEEF from its customers.

The legislature grants the Commission spending authority from the Fund through its yearly budget appropriation.

Court of Appeals Decision

On July 21, 2011, the Michigan Court of Appeals released a decision: In re application of Michigan Consolidated Gas Company to Increase Rates, COA Docket Nos 298830 and 29887, the Court of Appeals determined it was unlawful for the Commission to fund and administer the LIEEF in Case No U-15985. MichCon is not authorized

On July 26, 2011, the Commission solicited comments on the impact of the Michigan Court of appeals decision on the pending Consumers Energy Company natural gas rate case proceeding.

On August 11, 2011, the Commission directed Consumers Energy Company to continue collecting funds for the LIEEF in rates, pending further order by the MPSC.

On September 1, 2011, the Commission filed an Application for Leave to Appeal to the Michigan Supreme Court today, seeking review of the July 21, 2011, decision of the Michigan Court of Appeals concerning the LIEEF issue.

Conclusion TBD...

LIEEF Direct Impact

LIEEF Impact on Michigan Low-Income Families at 250% of Poverty or below

The programs offered through LIEEF are vital to many struggling Michigan individuals, families and children. Due to the long-term economic difficulties that Michigan has faced, many state residents are unable to afford to pay their energy bills, much less invest in energy efficiency improvements for their home.

LIEEF Offers Help to Thousands of Michigan Residents

- Energy bill payment assistance programs helps to keep the lights and heat on, while the energy efficiency programs address the problem with a long-term sustainable solution; especially as they are done in conjunction with energy education for the client.
- Over \$80 million per year or \$659 million 2002-2011 were available to assist hundreds of thousands of Michigan residents and households with low income energy assistance, energy efficiency/weatherization programs and energy efficiency grants and contracts administered through 78 service agencies, state government, universities, and businesses.
- Over 130,000 Michigan residents per year are served through LIEEF programs.
- Children were living in as many as 67% of the households served.
- Seniors and disabled households served were as high as 30% for some areas.
- Direct services to clients ranged from 86% - 96.5% of program costs.
- Bill payment assistance and weatherization programs have assisted low-income customers in *every* county in Michigan.
- Many households with special populations (children, seniors, Native American and disabled) are served by LIEEF programs.
- Homes served with weatherization programs routinely realize a 20-40% reduction in their energy costs.
- A large majority of customers receiving bill payment assistance are below 150% of poverty.
- Although LIEEF helps thousands of Michigan residents each year, there remained thousands of individuals last year that were unable to receive help due to lack of assistance funds.

LIEEF Impact on Michigan's Economy

- For utility ratepayers, there are reduced costs for bill collection and service shut-offs.
- Investment in energy efficiency generates a whole range of jobs in local home services industries. The weatherization assistance program generates thousands of jobs alone.
- Most weatherization program operators utilize private, for-profit, licensed contractors and residential builders in providing services, generating business for private sector employees.
- The reduction in energy consumption reduces the need to build electric generating plants.
- Partnerships existing between non-profit agencies, state and local governments and businesses resulted in better coordination of services to leverage funds to get maximum energy assistance to the client and energy savings for the programs overall.

